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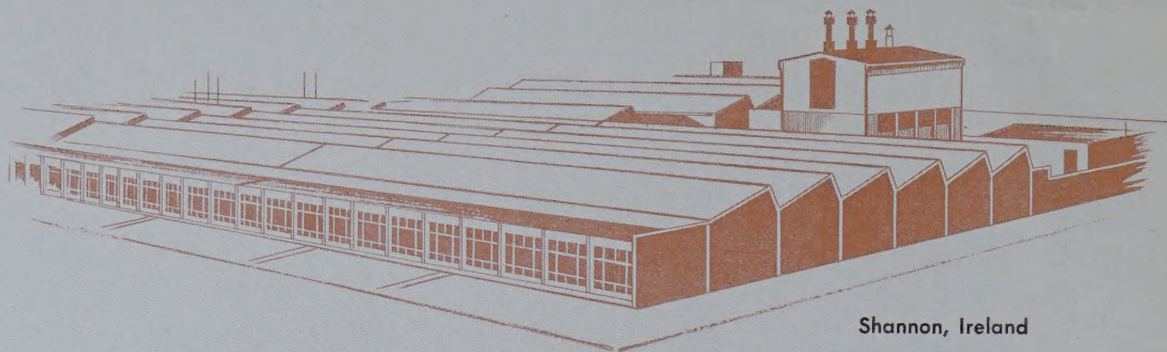
Commodore

ANNUAL REPORT 1964



COMMODORE BUSINESS MACHINES (CANADA) LIMITED

file



Shannon, Ireland



Hicksville, N.Y., U.S.A.



Head Office: Commodore Business Machines (Canada) Limited
946 Warden Avenue, Scarborough, Ontario, Canada



West Berlin, Germany

DIRECTORS

- ✕ C. POWELL MORGAN, C.A. — TORONTO
President, Atlantic Acceptance Corp., Ltd.
- JACK TRAMIEL — NEW YORK
President
- MANFRED KAPP — TORONTO
Executive Vice-President
- HARRY WAGMAN, C.A. — TORONTO
Partner, Wagman, Fruitman & Lando, C.A.
- ✕ WILFRID P. GREGORY, B.A., Q.C. — STRATFORD, ONTARIO
President, British Mortgage & Trust Co.
- RENNIE A. GOODFELLOW — TORONTO
Partner, Barrett Goodfellow & Co.
- ✕ J. AUBREY MEDLAND, B.COM., C.A. — TORONTO
President, Culverhouse Canning Co.
- CARL M. SOLOMON — TORONTO
Partner, Solomon & Singer
- ✕ CARMAN G. KING — TORONTO
Partner, Annett Partners Ltd.

OFFICERS

- C. POWELL MORGAN
Chairman of the Board
- JACK TRAMIEL
President
- MANFRED KAPP
Executive Vice-President & Secretary
- HARRY WAGMAN, C.A.
Treasurer & Assistant Secretary

HEAD OFFICE

946 Warden Avenue, Scarborough, Ontario

SUBSIDIARY COMPANIES

Commodore Drycopy Limited — Scarborough, Ontario

Humber Typewriters & Business Equipment Ltd. —
Scarborough, Ontario

Belpree Co., Limited — Scarborough, Ontario

Associated Tool & Manufacturing Ltd. — Downsview, Ontario

Commodore Business Machines Inc. — Hicksville, N.Y.

Commodore Drycopy Inc. — Hicksville, N.Y.

Analogue Controls Inc. — Hicksville, N.Y.

Commodore Industries Limited — Shannon, Ireland

Willy Feiler Zahl-und Rechenwerke GmbH —
Berlin, West Germany

**TRANSFER AGENT
AND REGISTRAR**

Share Capital: Eastern & Chartered Trust Co. —
Toronto & Montreal

Debentures: Montreal Trust Co. —
Toronto & Montreal

AUDITORS

Rose & Harrison, Chartered Accountants — Toronto

COUNSEL

Solomon & Singer — Toronto

LISTING

Canadian Stock Exchange — Montreal

MANAGEMENT

CANADA

Commodore Business Machines (Canada) Ltd.
Commodore Drycopy Ltd.
Humber Typewriters and Business Equipment Ltd.
General Manager — H. Vogt
Comptroller — F. Draper

UNITED STATES

Belpree Company Ltd.
Associated Tool & Manufacturing Co. Ltd.
President & General Manager — W. Kuettner
Comptroller — W. Hurley

Commodore Business Machines Inc.
Commodore Drycopy Inc.
General Manager — R. Zupa
Comptroller — S. Friend
Sales Manager — M. Rogg

Analogue Controls Inc.
President — R. Zupa
Vice President & Comptroller — H. W. Goldsmith
Plant Manager — H. Pasini

IRELAND

Commodore Industries Limited
President & General Manager — T. McGourty
Comptroller — M. J. McCormac

WEST GERMANY

Willy Feiler Zahl-und Rechenwerke GMBH
President & General Manager — W. Feiler
Director of Operations — —H. Feiler

PRESIDENT'S MESSAGE

To the Shareholders:

Increase in the company's manufacturing capacity and sales and distribution facilities, through both growth and acquisition, highlighted the fiscal year ended June 30th 1964. Our Company's policy of continual and systematic expansion resulted in substantially higher consolidated sales and profits.

During the year, the Company acquired three new subsidiaries; a tool and die company, a metal stamping operation and a business machines manufacturer.

Associated Tool & Manufacturing Co. Limited, which specializes in the manufacture of high quality precision tools and dies for industry and boasts amongst its customers some of the largest manufacturers in Canada. This company has been in business for over sixteen years.

Belpree Co. Limited is engaged primarily in the production and stamping of component parts for the electronic and automotive industries.

The above mentioned subsidiaries, on a joint basis, have been instrumental in the development of a stair climbing wheelchair which recently won first prize in a contest sponsored by the United States Department for the Employment of the Handicapped. A working prototype of this chair has been built and we expect to be in production in the near future.

With the acquisition of these new subsidiaries, the company can, and will, take advantage of the skills and experience of their respective management and labor pools to help in the continued development and expansion of our Company's manufacturing facilities. Arrangements have already been made to move Belpree's plant and equipment to a new addition now being constructed behind our company's head office building on Warden Avenue, in Scarborough. This new building addition will incorporate the most modern plant facilities for the manufacture of steel office furniture which Belpree will undertake this year. Commodore is presently marketing steel office furniture and it is anticipated that greater volume and profits will be realised because of the Company's ability to manufacture its own product.

Commodore Industries Limited, of Shannon Airport, Ireland, the third subsidiary acquired in the past fiscal year, is now assembling and manufacturing adding machines, primarily for the Commonwealth Market. This permits our West German subsidiary to direct the bulk of its production into the United States market, where at present the greatest demand exists. Special agreements entered into with the Irish Government allows Commodore Industries Limited to enjoy income tax exemptions until 1985. This will no doubt materially benefit our future profit picture.



The all new **COMMODORE** Electric Adding Machine Model E10/11CB with automatic Credit Balance and direct subtraction.

Production budgets of adding machines for the West German subsidiary were indeed ambitious; I am therefore pleased to report that these budgets were fully realized. Even with this increased production, demand far exceeds the supply, which has forced us to set even higher production goals for the ensuing year. With the additional plant capacity in Ireland and with the completion of our new facilities in Offenburg, West Germany, I have no doubt that our production objectives will be achieved.

The Company's policy of research and development for new products is now proving itself. I am most pleased, and certainly very proud to report that the development of our electric portable typewriter has been completed. The first models of this lightweight electric typewriter will be shown at the Fall trade shows throughout North America. The preview of this quality machine has al-

ready created a stir in the business machines industry.

This year will also witness the marketing of a new improved model of our compact electric adding machine. Other development work is continuing with emphasis on the new electronic calculator which we expect will be ready late this year.

In the past year, the Company's operations in both Canada and the United States have expanded at a gratifying pace. We have recently signed new lease contracts with Macy's and Bamberger's in the United States, thereby ensuring the continuance of the leased business machines departments which we operate within these large department store chains. Their rapid expansion will add substantially to our Company's sales through these retail outlets.

Prototype view of the award winning Stair Climbing Wheelchair developed by Belpree Limited.



Commodore 7

Our network of dealers continues to increase and we now have approximately 2,500 handling our products. With our policy to market the best possible products, at the best possible price, backed by service second to none, our products continue to gain increased acceptance from the purchasing public. In view of this enthusiastic acceptance of our products, we can only look to the future with optimism and confidence.

Finally, I would like to briefly review the financial highlights of the fiscal year ended June 30th 1964. Sales increased by 24% to a new high of \$7,634,469.—, on a group basis, and profit after taxes were up 31% to \$376,575.—. On a per share basis, this represents an increase to 45¢, from 35¢. In a year of expansion this is most gratifying.

In October 1964, the Company sold its in-

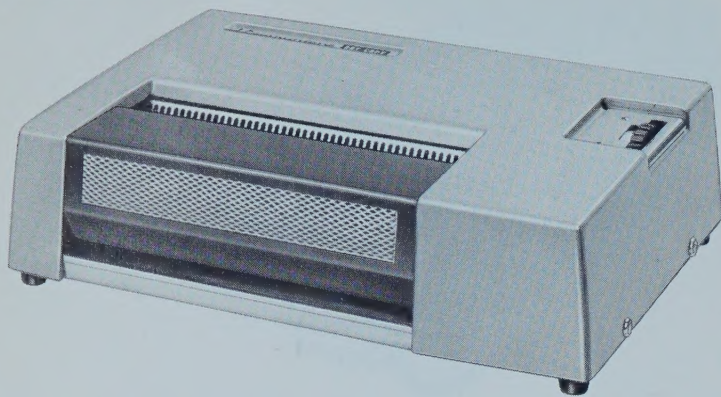
vestment in Analogue Controls Inc., at a substantial profit. Therefore management deemed it advisable not to include the Analogue financial statements in this report.

On behalf of the Board of Directors, I wish to take this opportunity to thank all of you, employees and shareholders, for your continued good work, good will and confidence in our Company. This joint effort has been instrumental in establishing COMMODORE as a factor in the industry.

Respectfully submitted,

JACK TRAMIEL
President.

October 9th, 1964



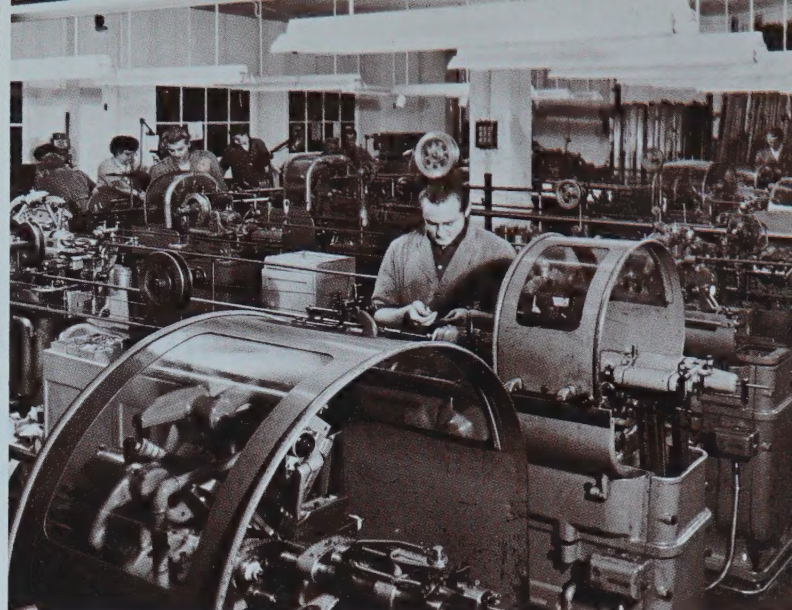
Commodore Drycopy Thermal Copying Machine, Model 10-D.

GROUP CONSOLIDATED FINANCIAL HIGHLIGHTS

	1964*	1963**
Net Sales	\$7,634,469.—	\$6,141,032.—
Profit before taxes	613,061.—	403,249.—
Net Profit	376,575.—	285,280.—
Earning per Common share outstanding	45¢	35¢
Common shares outstanding at year end	835,550	816,000

*1964 — Includes Willy Feiler Zahl-und Rechenwerke GmbH (12 months, unaudited).

**1963 — Includes Willy Feiler Zahl-und Rechenwerke GmbH (6 months, unaudited) and Analogue Controls Inc. (8 months, unaudited) to the extent of Commodore's interest.



Interior view of Manufacturing & assembly operations at the modern, well equipped Feiler Plant in West Berlin.

REPORT (UNAUDITED)

WILLY FEILER ZAHL-UND RECHENWERKE GMBH

Statement of operations

For the year ended June 30th, 1964

	1964	1963*
Revenues	\$2,546,019.65	\$1,006,608.00
Cost of Sales	<u>2,173,600.25</u>	<u>863,070.00</u>
Gross Profit	<u>372,419.40</u>	<u>143,538.00</u>
Depreciation	69,188.00	—
Financial Expenses	<u>32,582.25</u>	<u>30,093.00</u>
	<u>101,770.25</u>	<u>30,093.00</u>
Profit before income taxes	270,649.15	113,445.00
Income Taxes	<u>84,499.10</u>	<u>15,312.00</u>
Net Profit for the year	<u>186,150.05</u>	<u>98,133.00</u>

*For six months ended June 30th, 1963 — Unaudited.

COMMODORE BUSINESS MACHINES (CANADA) LIMITED AND ITS WHOLLY-OWNED SUBSIDIARY COMPANIES

STATEMENT OF CONSOLIDATED EARNINGS

FOR THE YEAR ENDED JUNE 30, 1964

(with comparative figures for 1963)

	1964	1963
REVENUES	<u>\$5,088,449.34</u>	<u>\$4,510,398.15</u>
GROSS PROFIT	<u>\$1,592,541.26</u>	<u>\$1,387,939.17</u>
EXPENDITURES		
Selling Expenses — Retail and Wholesale	681,565.10	634,563.90
Managing Directors' Salaries	35,943.55	34,715.25
Directors' Fees	2,600.00	2,300.00
General and Administrative Expenses	194,949.08	194,191.07
Interest on Long Term Notes	36,502.12	44,021.98
Interest on Debentures	116,389.89	48,570.27
Amortization of Cost of Issue of Debentures	8,417.15	6,819.74
Other Financial Expenses	135,972.42	140,022.33
Depreciation Charges	51,717.67	25,147.38
Exchange Adjustments	<u>1,072.79</u>	<u>11,896.53</u>
	<u>\$1,265,129.77</u>	<u>\$1,142,248.45</u>
PROFIT BEFORE INCOME TAXES	327,411.49	245,690.72
PROVISION FOR INCOME TAXES	<u>151,986.15</u>	<u>102,656.59</u>
NET PROFIT (from Operations)	175,425.34	143,034.13
ADD — Non-Recurring Profit Earned on Sale of Securities	<u>15,000.00</u>	<u>—</u>
NET PROFIT	<u>\$190,425.34</u>	<u>\$143,034.13</u>

**COMMODORE BUSINESS MACHINES (CANADA) LIMITED
AND ITS WHOLLY-OWNED SUBSIDIARY COMPANIES**

STATEMENTS OF CONSOLIDATED SURPLUS

FOR THE YEAR ENDED JUNE 30, 1964

(with comparative figures for 1963)

EARNED SURPLUS

(retained earnings)

	1964	1963
Surplus — as at July 1 (opening)	\$257,573.51	\$119,650.38
Add — Net Profit for the year	<u>190,425.34</u>	<u>143,034.13</u>
	447,998.85	262,684.51
Deduct — Managing Officers' Life Insurance		
Premiums	5,730.25	5,111.00
— Income Tax adjustments re prior years	<u>4,618.41</u>	<u>—</u>
Surplus — as at June 30	<u><u>\$437,650.19</u></u>	<u><u>\$257,573.51</u></u>

CONTRIBUTED SURPLUS

Surplus — as at July 1 (opening)	\$245,168.00	\$235,168.00
Add — Surplus arising from sale of share		
purchase warrants	<u>—</u>	<u>10,000.00</u>
Surplus — as at June 30	<u><u>\$245,168.00</u></u>	<u><u>\$245,168.00</u></u>

CAPITAL SURPLUS

Balance — as at June 30	<u><u>\$33,144.42</u></u>	<u><u>\$33,144.42</u></u>
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**COMMODORE BUSINESS MACHINES (CANADA) LIMITED
AND ITS WHOLLY-OWNED SUBSIDIARY COMPANIES**

CONSOLIDATED BALANCE SHEET

ASSETS		
	1964	1963
CURRENT ASSETS		
Cash on Hand and on Deposit	\$ 225,763.47	\$ 302,824.89
Time Deposit (9a)	408,307.03	—
Accounts and Notes Receivable	1,594,173.66	1,272,584.01
<i>Less</i> — Provision for Doubtful Accounts	(29,886.27)	(47,386.97)
Discounts, Deposits and Refunds Receivable	64,824.48	73,599.67
Loans Receivable — Shareholders	9,619.87	7,036.38
Loans Receivable — Others	109,434.52	9,298.60
Marketable Securities (Market Value \$4,716.80)	4,755.20	—
Prepaid Expenses and Factory Supplies	17,877.62	6,776.46
Merchandise Inventory (At Lower of Cost or Market)	1,932,675.80	1,881,423.48
	<u>\$4,337,545.38</u>	<u>\$3,506,156.52</u>
INVESTMENTS AND ADVANCES		
Investments in Other Corporations (2)	\$1,766,176.60	\$1,137,033.66
Advances to Other Corporations (3)	330,784.01	234,313.00
	<u>\$2,096,960.61</u>	<u>\$1,371,346.66</u>
FIXED ASSETS (At Cost)		
Land	\$ 39,590.04	—
Buildings	71,673.77	—
Tools, Machinery and Equipment	271,611.65	54,809.66
Dies and Moulds	45,789.59	45,488.09
Automotive Equipment	33,320.39	32,410.98
Leasehold Improvements	28,821.55	23,203.73
	490,806.99	155,912.46
<i>Less</i> — Accumulated Depreciation	237,780.99	60,197.05
	<u>\$ 253,026.00</u>	<u>\$ 95,715.41</u>
OTHER ASSETS		
Franchise and Manufacturing Rights	\$ 31,000.00	\$ 31,000.00
Organization Expense	6,593.35	5,534.99
Deferred Product Research and Development Expense	33,510.15	—
Deferred Market Development Expense	47,269.34	56,671.11
Goodwill	206,139.68	113,874.83
Commissions and Expenses on sale of:		
Capital Stock	89,548.71	89,548.71
Debentures (Less Amortization)	99,408.42	75,017.17
	<u>\$ 513,469.65</u>	<u>\$ 371,646.81</u>
TOTAL ASSETS	<u>\$7,201,001.64</u>	<u>\$5,344,865.40</u>

See Notes to the Consolidated Balance Sheet, which form an integral part of the above and should be read in conjunction therewith.

as at June 30, 1964

(With Comparative Figures for 1963)

LIABILITIES

	1964	1963
CURRENT LIABILITIES		
Accounts and Notes Payable and Payments in Transit	\$1,464,045.25	\$ 806,052.58
Bank Loans (4)	439,562.50	50,000.00
Sales and Excise Taxes Payable	10,019.11	28,505.52
Provision for Income Taxes Payable	169,909.98	132,150.89
Loans and Notes Payable	—	327,615.03
Advances from Finance Companies (5)	961,996.00	658,896.70
Mortgages Payable — Current Portion	1,200.00	—
Long Term Notes Payable — Current Portion	86,005.63	102,957.00
	<u>\$3,132,738.47</u>	<u>\$2,106,177.72</u>
LONG TERM LIABILITIES (6)		
Long Term Notes Payable	\$ 283,818.56	\$ 351,769.75
Mortgages Payable	116,100.00	—
7% Convertible (Subordinated) Sinking Fund Debentures Series "A"	923,000.00	1,000,000.00
7% Convertible (Subordinated) Sinking Fund Debentures Series "B"	600,000.00	600,000.00
7% Convertible (Subordinated) Sinking Fund Debentures Series "C"	600,000.00	—
	<u>\$2,522,918.56</u>	<u>\$1,951,769.75</u>
TOTAL LIABILITIES	<u>\$5,655,657.03</u>	<u>\$4,057,947.47</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (7)		
AUTHORIZED:		
2,000,000 Common Shares Without Par Value		
ISSUED AND FULLY PAID: (8)		
835,550 Common Shares Without Par Value	\$ 829,382.00	\$ 751,032.00
(1963 — 816,000 Common Shares)		
SURPLUS		
Earned Surplus	437,650.19	257,573.51
Contributed Surplus	245,168.00	245,168.00
Capital Surplus	33,144.42	33,144.42
	<u>\$1,545,344.61</u>	<u>\$1,286,917.93</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$7,201,001.64</u>	<u>\$5,344,865.40</u>
Contingent Liabilities: (See Note 9)		
Approved on Behalf of the Board of Directors:		
Jack Tramiel, Director		
Manfred Kapp, Director		

COMMODORE BUSINESS MACHINES (CANADA) LIMITED AND ITS WHOLLY-OWNED SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 1964

- (1) The accounts of the following wholly-owned subsidiaries are included in the consolidated statements:

Associated Tool and Manufacturing Company Limited and its wholly-owned subsidiary, Shelburne Tool Company Limited — Toronto, Ontario
Belpree Manufacturing Limited — Toronto, Ontario
Commodore Drycopy, Inc. — New York, N.Y.
Commodore Drycopy Limited — Toronto, Ontario
Commodore Business Machines, Inc. — New York, N.Y.
Humber Typewriters and Business Equipment Limited — Toronto, Ontario

For the purposes of consolidation, the current assets and all liabilities of the United States subsidiaries have been converted at the rate of exchange prevailing at the balance sheet date, and expenses and revenues at the average rate of exchange for the year. The fixed and other assets have been converted at the rate of exchange prevailing at the time of acquisition.

- (2) Investments in other corporations are as follows:

	% Held	Amount
(a) Willy Feiler Zahl-Und Rechenwerke Gmbh — West Germany	100%	\$1,049,456.33
The accounts of the above-named company are not consolidated as at June 30, 1964 because audited statements were not available as at that date. The last audited statements are dated December 31, 1963.		
(b) Analogue Controls, Inc. — New York	58.4%	408,777.77
The total number of shares held is 333,900, representing 58.4% of the outstanding common stock as at the last published balance sheet (October 31, 1963). Market value as at the balance sheet date was \$333,900.00. These shares were sold subsequent to the balance sheet date for \$1.45 per share.		

(c) Commodore Industries Limited — Republic of Ireland	100%	302,460.00
This represents the acquisition of all the authorized and issued capital stock of the above-named company which was incorporated December 18, 1963. No audited statements have been prepared since acquisition.		
(d) Commodore Drycopy (Philadelphia), Inc.—Philadelphia, Penn.	50%	5,482.50
Representing the total cost of acquisition of 50% of the outstanding stock of this company.		

TOTAL		<u>\$1,766,176.00</u>
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- (3) Advances to other Corporations are as follows:

	1964	1963
Willy Feiler Zahl-Und Rechenwerke Gmbh — West Germany	\$112,229.60	\$234,313.00
Commodore Industries Limited — Republic of Ireland	212,732.58	—
Commodore Drycopy (Philadelphia), Inc.—Philadelphia, Penna.	5,821.83	—
TOTALS	<u>\$330,784.01</u>	<u>\$234,313.00</u>

- (4) Bank Loans are secured as follows:

—General Assignment of Accounts Receivable of Humber Typewriters and Business Equipment Ltd.	50,000.00
—General Assignment of Accounts Receivable of Belpree Manufacturing Limited	15,500.00
—130,000 shares of Analogue Controls	54,062.50
—Shares of Associated Tool and Manufacturing Company Limited and Belpree Manufacturing Limited	320,000.00
TOTAL	<u>\$439,562.50</u>

- (5) Advances from Finance Companies are secured as follows:

—Unsecured notes payable	\$699,633.50
—202,000 shares of Analogue Controls	262,362.50
TOTAL	<u>\$961,996.00</u>

- (6) Long Term Liabilities:

- (a) Long Term Notes — 8.8% of which \$215,000.00 is collaterally secured by a first floating charge debenture registered against the assets of the company. The final payments are due on September 30, 1968.

- (b) Mortgages Payable:

- (i) \$100,000.00 — interest at 10% — collaterally secured by a first charge against land and buildings owned by a subsidiary. Principal amount due in full September 1, 1965.
(ii) \$17,300.00 — interest at 6% — collaterally secured by a charge against the chattels of a subsidiary. The final payment is due on March 1, 1967.

- (c) 7% Convertible Sinking Fund Debentures:

Series.	Dated	Matures	Authorized	Issued	Redeemed	Out-standing	Sinking Fund Payments Begin
"A"	Nov. 1, 1962	Nov. 1, 1974	\$1,000,000	\$1,000,000	\$77,000	\$923,000	Nov. 1, 1965
"B"	Apr. 15, 1963	May 1, 1975	600,000	600,000	—	600,000	May 1, 1966
"C"	Apr. 1, 1964	Apr. 1, 1976	1,000,000	600,000	—	600,000	Apr. 1, 1967

The above debentures have been issued pursuant to a trust indenture and supplementary trust indentures made between the company and Montreal Trust Company. These debentures are secured by a floating charge on all property and assets of the company subject only to a prior floating charge (Note 6a) and secured bank and finance company loans made in the ordinary course of business not to exceed \$1,000,000.00 in the aggregate principal amount.

The trust indentures pursuant to which the 7% convertible sinking fund debentures series "A", "B", and "C" are issued, contain provisions restricting the payment of dividends by the company and providing for the issuance of additional debentures, all subject to certain terms and conditions contained therein.

(7) The following shares have been reserved:

- (a) For the exercise of share purchase warrants which entitle the holders thereof to purchase fully paid, non-assessable common shares at the exercise price on or before the dates at which the warrants become void:—

Series	Void After	Warrants Issued	Exercise Price	Warrants Outstanding	Shares Reserved
"A"	Nov. 1, 1974	200,000	\$4.50	199,700	
"B"	May 1, 1975	120,000	5.50	120,000	
"C"	Apr. 1, 1976	120,000	5.50	120,000	439,700 shs.

- (b) For the conversion privilege attached to the 7% convertible sinking fund debentures, wherein the holders thereof may convert the said debentures into fully paid and non-assessable common shares at the conversion price on or before the expiry date for the conversion privilege:—

Series	Expiry Date	Debentures Outstanding	Conversion Price	Shares Reserved
"A"	Oct. 31, 1974	\$923,000	\$4.00	230,750
"B"	Apr. 30, 1975	600,000	5.00	120,000
"C"	Mar. 31, 1976	600,000	5.00	120,000
				470,750 shs.

- (c) For options granted to employees to purchase fully paid and non-assessable common shares:—

At \$2.65 per share	40,000	
At 4.05 per share	20,000	60,000 shs.
TOTAL		970,450 shs.

(8) Shares issued during the year ended June 30, 1964 are as follows:

Balance — July 1, 1963	\$751,032.00	816,000 shs.
Add — Exercise of 300 Series "A" Warrants	1,350.00	300
— Conversion of \$77,000.00 of Series "A" Debentures	77,000.00	19,250
Balance — June 30, 1964	<u>\$829,382.00</u>	<u>835,550 shs.</u>

(9) The company and its consolidated wholly-owned subsidiaries are contingently liable for the following:

(a) Guarantee given for borrowings of a subsidiary which are secured by "Time Deposit".	816,000 shs.
(b) Letters of Credit outstanding and not due, for merchandise not received as at the balance sheet date	31,533.60
TOTAL	\$635,481.69

AUDITORS' REPORT

To the Shareholders,
Commodore Business Machines (Canada) Limited,
Toronto, Ontario.

We have examined the consolidated balance sheet of Commodore Business Machines (Canada) Limited and its wholly-owned subsidiaries as at June 30, 1964 and the statement of consolidated earnings and the statements of consolidated surplus for the year ended on that date. In connection with the parent company and its four wholly-owned Canadian subsidiaries, our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

The accounts of the two consolidated American subsidiaries were examined by Mr. Leon Davis, Certified Public Accountant, resident of New York City, and are included in the consolidated statements on the basis of his report, qualified by the fact that "although I was not in attendance at the taking of physical inventory as at June 30, 1964, I have conducted an examination of the inventory records and other supporting evidence and I have

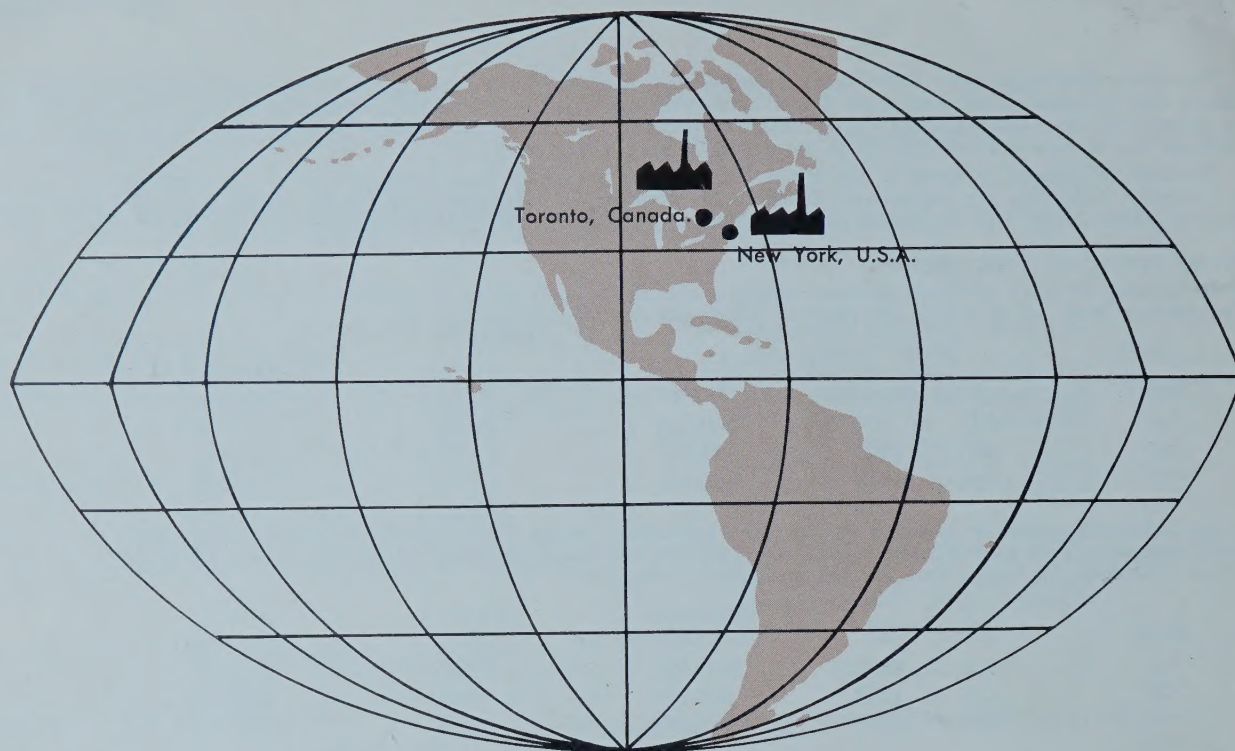
been satisfied that the inventory is reasonable and has been valued at the lower of cost or market, consistent with the method applied in previous years."

In our opinion, based on our examination and the report of the New York auditor, and according to the best of our information and the explanations given to us, the accompanying consolidated balance sheet and the related statements present fairly the financial position of the company as at June 30, 1964 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent, in all material respects, with that of the preceding year.

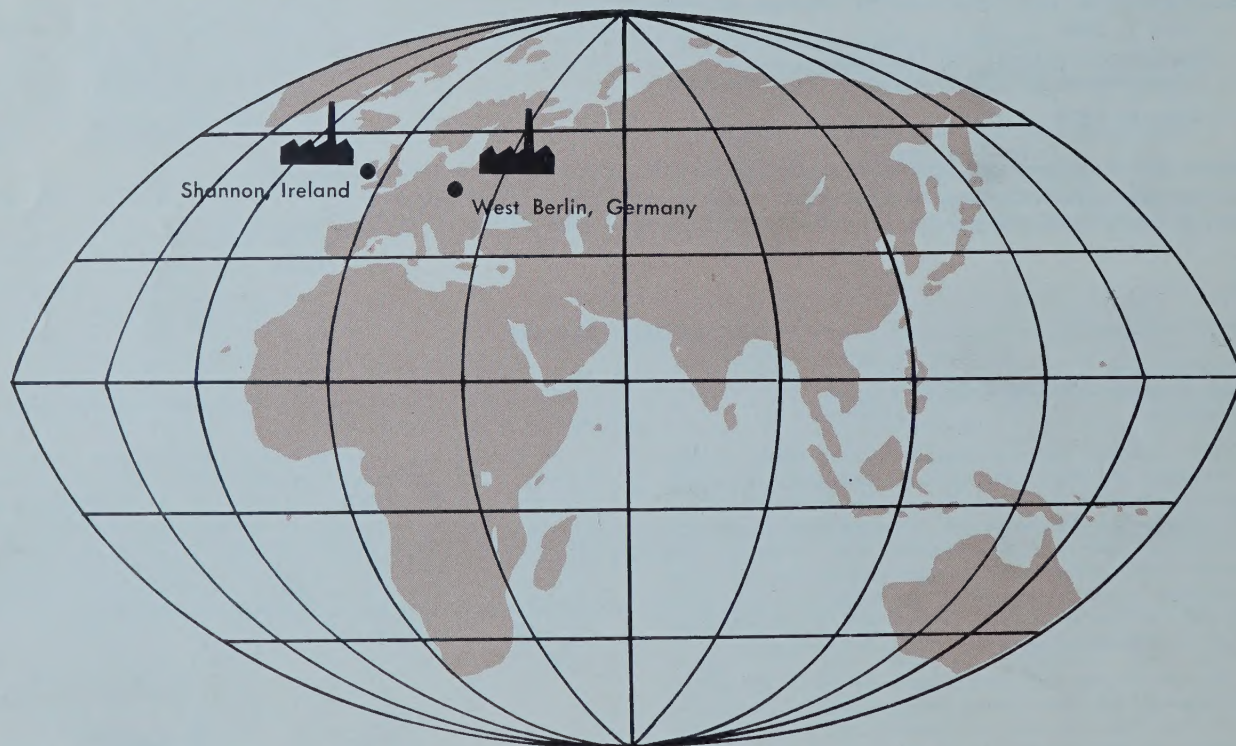
Rose & Harrison

ROSE & HARRISON,
Chartered Accountants.

TORONTO, September 24, 1964



Commodore



"A World Wide Organization"

DISTRIBUTION FACILITIES IN OVER 55 COUNTRIES OF THE WORLD

Printed in Canada